

**TOWN OF ORDERVILLE**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**



**KEMP BURDICK**  
**KEMP BURDICK HINTON & HALL L.L.C.**  
**CPA'S & ADVISORS**

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**FINANCIAL SECTION**

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**KEMPBURDICK****KEMP BURDICK HINTON & HALL L.L.C.****CPA'S & ADVISORS****MEMBERS:****KRIS J. BRAUNBERGER****DEAN R. BURDICK****BRENT R. HALL****KENNETH A. HINTON****GREGORY A. KEMP****MORRIS J. PEACOCK****MICHAEL K. SPILKER****MARK E. TICHENOR****Independent Auditors' Report**

The Honorable Mayor and  
Town Council  
Orderville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orderville, Utah, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Orderville's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orderville as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2005 on our consideration of the Town of Orderville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The Management's Discussion and Analysis on pages 3-9, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Orderville, Utah. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.

November 30, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Orderville (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- Total net assets increased by \$124,007 which resulted in total assets in excess of total liabilities (net assets) of \$1.17 million at the close of the fiscal year.
- Total business-type expenses exceeded revenues by \$13,553.
- Total revenues from all sources were \$415,414.
- The total cost of all Town programs was \$291,407.
- The General Fund reported excess revenues over expenditures of \$137,560.
- Actual resources received in the General Fund were more than the final budget by \$27,428 while actual expenditures were \$20,125 less than the final budget.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

#### **Reporting the Town as a Whole**

##### **The Statement of Net Assets and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or condition of the Town's roads to accurately assess the overall health of the Town.



The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, highways and streets, parks and recreation, justice court, and cemetery. Property taxes, sales tax, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover all or most of the cost of the services provided.

## **Reporting the Town's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$1.17 million as of June 30, 2005 as shown in the following condensed statement of net assets. The Town has chosen to account for its water operations in an enterprise fund which is shown as Business Activities.

### Town of Orderville Statement of Net Assets

	Governmental Activities	Business-type Activities
	6/30/2005	6/30/2005
Current and other assets	\$ 344,425	\$ 32,329
Capital assets	392,560	468,959
Total assets	<u>736,985</u>	<u>501,288</u>
Long-term liabilities outstanding	-	35,000
Other liabilities	14,483	17,437
Total liabilities	<u>14,483</u>	<u>52,437</u>
Net assets:		
Invested in capital assets, net of related debt	392,560	431,770
Restricted	65,814	-
Unrestricted	264,128	17,081
Total net assets	<u>\$ 722,502</u>	<u>\$ 448,851</u>

### Governmental Activities

The cost of all Governmental activities this year was \$197,226. As shown on the statement of Changes in Net Assets on the following page, \$42,686 of this cost was paid for by those who directly benefited from the programs; \$34,329 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$334,786. General taxes, impact fees, and investment earnings totaled \$257,771.

The Town's programs include: General Government, Public Safety, Highways and Streets, Parks & Recreation, Justice Court and Cemetery. Each program's revenues and expenses are presented below.

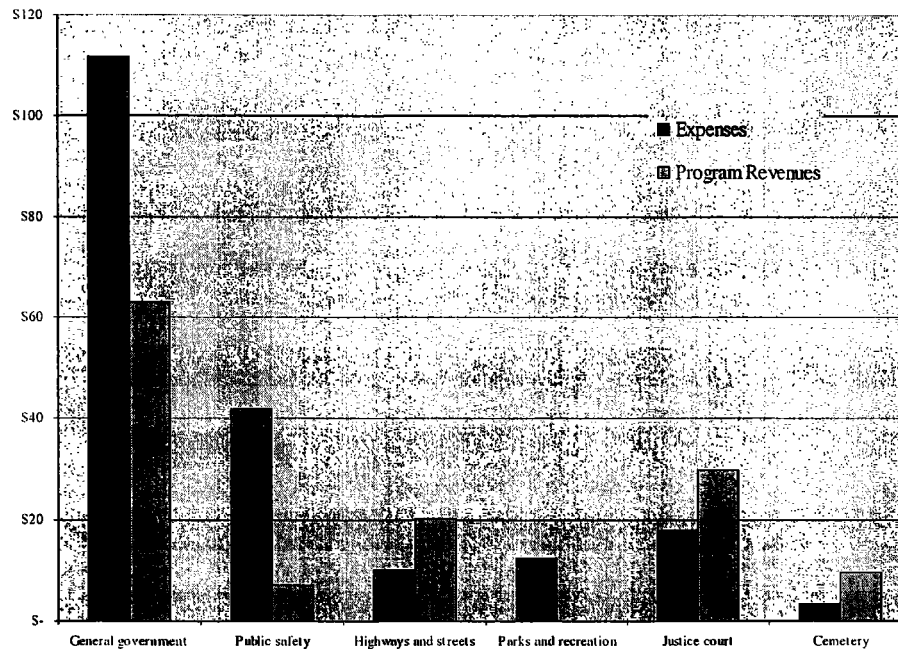
**Town of Orderville  
Changes in Net Assets**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
	<u>6/30/2005</u>	<u>6/30/2005</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 42,686	\$ 62,550
Operating grants and contributions	27,329	-
Capital grants and contributions	7,000	-
General revenues:		
Taxes	190,030	-
Other	67,741	18,078
Total revenues	<u>334,786</u>	<u>80,628</u>
<b>Expenses:</b>		
General government	111,723	-
Public safety	41,738	-
Highways and streets	10,099	-
Parks and recreation	12,450	-
Justice court	17,868	-
Cemetery	3,348	-
Water	-	94,181
Total expenses	<u>197,226</u>	<u>94,181</u>
Increase in net assets	137,560	(13,553)
Net assets, beginning	584,942	462,404
Net assets, ending	<u>\$ 722,502</u>	<u>\$ 448,851</u>

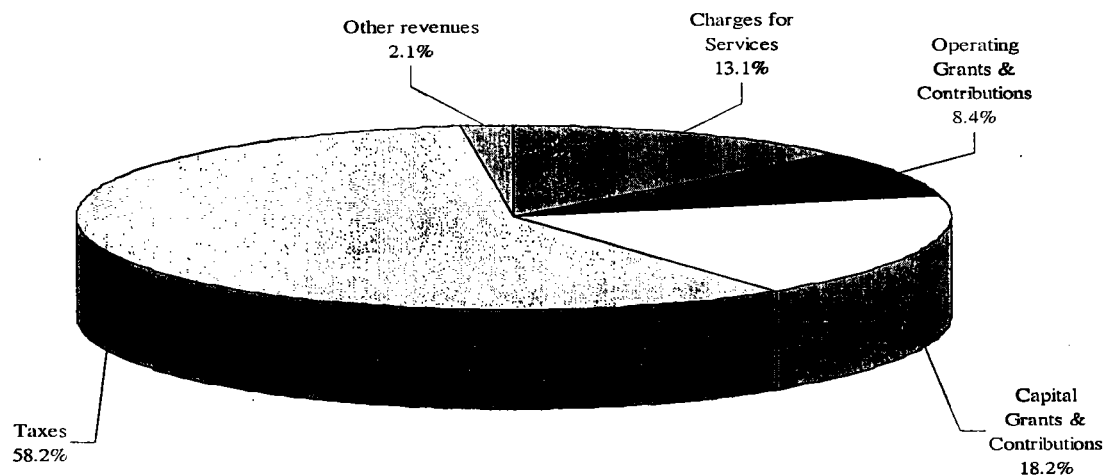
Total resources available during the year to finance governmental operations were \$919,728 consisting of Net assets at July 1, 2004 of \$584,942, program revenues of \$42,686 and General Revenues (including transfers) of \$292,100. Total Governmental Activities during the year were \$197,226; thus Governmental Net Assets were increased by \$137,560 to \$722,502.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

**Expenses and Program Revenues - Governmental Activities**  
(In Thousands)



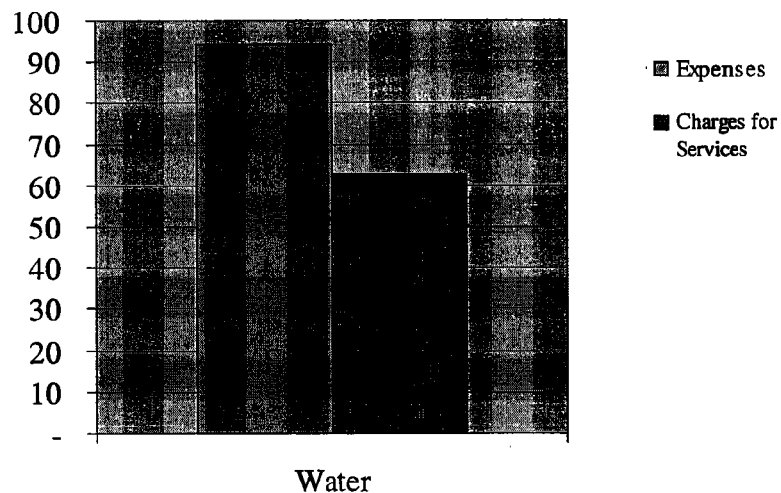
**Revenue By Source - Governmental Activities**



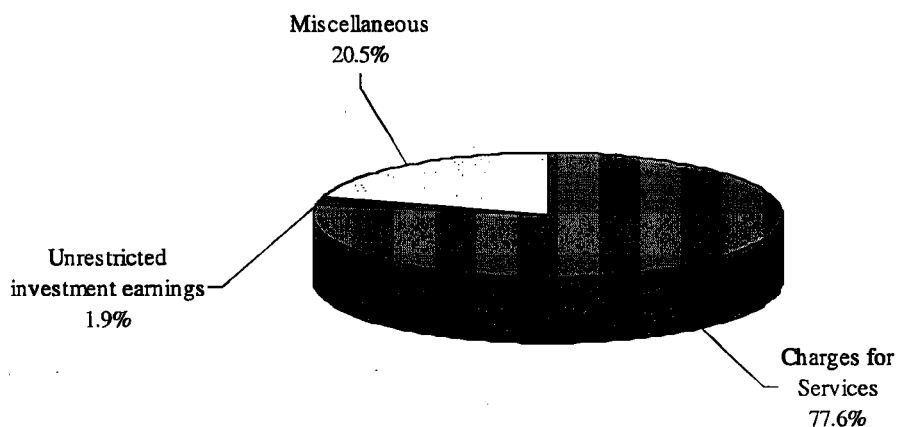
## Business Type Activities

Net assets of the Business Type activities at June 30, 2005, as reflected in the Statement of Net Assets were \$448,851. The cost of providing all Proprietary (Business Type) activities this year was \$94,181. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$62,550 and there were no amounts subsidized by capital grants and contributions. Interest earnings, transfers, and other revenues were \$18,078. The Net Assets decreased by \$13,553.

**Expenses and Program Revenues - Business- type Activities**  
(in Thousands)



**Revenue By Source - Business-type Activities**



## **General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were \$20,125 more than actual expenditures. Actual revenues were more than the final budget by \$27,428.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2005, net capital assets of the government activities totaled \$392,560 and the net capital assets of the business-type activities totaled \$466,770 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

### **Debt**

At year-end, the Town had \$35,000 in proprietary debt. The debt is a liability of the government. During the current fiscal year, the Town's total debt decreased \$15,000. (See note 6 to the financial statements for detailed descriptions.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for fiscal year 2005/2006, the Town Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2004/2005.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Orderville, P.O. Box 165, 84758 or call (435) 648-2534.

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**BASIC FINANCIAL STATEMENTS**



# TOWN OF ORDERVILLE, UTAH

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 220,895	\$ 69,759	\$ 290,654
Receivables (net of allowance)	8,795	8,466	17,261
Internal balances	47,421	(47,421)	-
Prepays	5,656	1,525	7,181
Temporarily restricted assets:			
Cash and cash equivalents	61,658	-	61,658
Capital assets (net of accumulated depreciation):			
Land	58,990	-	58,990
Buildings	189,110	-	189,110
Improvements	82,452	-	82,452
Machinery and equipment	62,008	18,747	80,755
Distribution system	-	448,023	448,023
Other assets:			
Bond issue costs (net of accumulated amortization)	-	2,189	2,189
Total assets	736,985	501,288	1,238,273
<b>Liabilities</b>			
Accounts payable and other current liabilities	14,483	17,437	31,920
Noncurrent liabilities:			
Due within one year	-	17,000	17,000
Due in more than one year	-	18,000	18,000
Total liabilities	14,483	52,437	66,920
<b>Net Assets</b>			
Invested in capital assets, net of related debt	392,560	431,770	824,330
Restricted for:			
Other purposes	65,814	-	65,814
Unrestricted	264,128	17,081	281,209
Total net assets	\$ 722,502	\$ 448,851	\$ 1,171,353

The accompanying notes are an integral part of the financial statements.

**TOWN OF ORDERVILLE, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 111,723	\$ 3,503	\$ -	\$ 59,458	\$ (48,762)	\$ -
Public safety	41,738	-	7,182	-	(34,556)	-
Highways and streets	10,099	-	20,147	-	10,048	-
Parks and recreation	12,450	-	-	-	(12,450)	-
Justice court	17,868	29,667	-	-	11,799	-
Cemetery	3,348	9,516	-	-	6,168	-
Total governmental activities	197,226	42,686	27,329	59,458	(67,753)	-
Business-type activities:						
Water	94,181	62,550	-	-	-	(31,631)
Total business-type activities	94,181	62,550	-	-	-	(31,631)
<b>General Revenues:</b>						
Taxes:						
Property taxes levied for general purposes					55,591	-
Sales and use taxes					134,439	-
Unrestricted investment earnings					2,738	1,563
Proceeds from sale of capital assets					8,500	-
Miscellaneous					4,045	16,515
Total general revenues & transfers					205,313	18,078
Change in net assets					137,560	(13,553)
Net assets - beginning					584,942	462,404
Net assets - ending					\$ 722,502	\$ 448,851
					\$ 1,171,353	\$ 1,171,353

The accompanying notes are an integral part of the financial statements.

**TOWN OF ORDERVILLE, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	<u>General</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 220,895
Accounts receivable	8,795
Due from other funds	47,421
Prepaid expenses	5,656
Restricted cash and cash equivalents	<u>61,658</u>
Total assets	<u><u>\$ 344,425</u></u>

**Liabilities and Fund Balances**

<b>Liabilities:</b>	
Accounts payable	\$ 8,309
Accrued liabilities	<u>6,174</u>
Total liabilities	<u>14,483</u>
<b>Fund balances:</b>	
Reserved for:	
Other	65,814
Unreserved, reported in:	
General fund	<u>264,128</u>
Total fund balances	<u><u>329,942</u></u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

392,560
<u><u>\$ 722,502</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF ORDERVILLE, UTAH**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	<u>General Fund</u>
<b>Revenues</b>	
Property taxes	\$ 47,271
Fees in lieu of property taxes	8,320
Class "C" road funds	20,147
Liquor law enforcement tax	932
Sales and use taxes	134,439
Licenses, Permits and Fees	3,503
Intergovernmental	6,250
Cemetery	9,516
Grant revenue	59,458
Fines and Forfeitures	29,667
Interest	2,738
Miscellaneous	4,045
Total revenues	<u>326,286</u>
<b>Expenditures</b>	
Current:	
General government	102,779
Public safety	43,466
Highways and streets	41,917
Parks and recreation	7,245
Justice Court	17,868
Cemetery	3,348
Capital outlay	77,110
Total expenditures	<u>293,733</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,553</u>
<b>Other Financing Sources (Uses)</b>	
Proceeds from sale of capital assets	8,500
Total other financing sources and uses	<u>8,500</u>
Net change in fund balance	41,053
Fund balance, beginning of year	288,889
Fund balance, end of year	<u>\$ 329,942</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF ORDERVILLE, UTAH**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2005**

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Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds	\$ 41,053
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	96,507
Change in net assets of governmental activities	<u>\$ 137,560</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF ORDERVILLE, UTAH**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive /
				(Negative)
<b>Revenues</b>				
Property taxes	\$ 49,000	\$ 49,000	\$ 47,271	\$ (1,729)
Fees in lieu of property taxes	7,000	7,000	8,320	1,320
Class "C" road funds	25,000	22,000	20,147	(1,853)
Liquor law enforcement tax	500	500	932	432
Sales and use taxes	117,000	123,500	134,439	10,939
Licenses, Permits and Fees	1,500	1,500	3,503	2,003
Intergovernmental	5,000	5,000	6,250	1,250
Cemetery	8,000	8,000	9,516	1,516
Grant revenue	42,458	49,458	59,458	10,000
Fines and Forfeitures	30,000	27,000	29,667	2,667
Interest	1,400	1,400	2,738	1,338
Miscellaneous	4,500	4,500	4,045	(455)
Total revenues	291,358	298,858	326,286	27,428
<b>Expenditures</b>				
Current:				
General government	102,000	102,000	102,779	(779)
Public safety	40,000	44,000	43,466	534
Highways and streets	40,000	43,500	41,917	1,583
Parks and recreation	12,000	12,000	7,245	4,755
Justice Court	36,000	36,000	17,868	18,132
Cemetery	5,000	5,000	3,348	1,652
Capital outlay	71,358	71,358	77,110	(5,752)
Total expenditures	306,358	313,858	293,733	20,125
Excess (deficiency) of revenues over (under) expenditures	(15,000)	(15,000)	32,553	47,553
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	8,500	8,500
Total other financing sources and uses	-	-	8,500	8,500
Net change in fund balance	(15,000)	(15,000)	41,053	56,053
Fund balance, beginning of year	288,889	288,889	288,889	-
Fund balance, end of year	\$273,889	\$273,889	\$329,942	\$ 56,053

The accompanying notes are an integral part of the financial statements.

**TOWN OF ORDERVILLE, UTAH**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

	<u>Water Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 69,759
Prepaid expenses	1,525
Receivables, net of allowance	8,466
Bond issuance costs, net of accumulated amortization	<u>2,189</u>
Total current assets	<u>81,939</u>
Noncurrent assets:	
Capital assets:	
Distribution system	865,468
Machinery and equipment	31,522
Less: Accumulated depreciation	<u>(430,220)</u>
Total noncurrent assets	<u>466,770</u>
Total assets	<u>548,709</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	16,398
Accrued liabilities	1,039
Due to other funds	47,421
Current portion of long-term debt	<u>15,000</u>
Total current liabilities	<u>79,858</u>
Noncurrent liabilities:	
Bonds payable (net of current portion)	<u>20,000</u>
Total noncurrent liabilities	<u>20,000</u>
Total liabilities	<u>99,858</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	431,770
Unrestricted	<u>17,081</u>
Total net assets	<u>\$ 448,851</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF ORDERVILLE, UTAH**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	Water Fund
<b>Operating revenues:</b>	
Charges for services	\$ 62,550
Total operating revenues	<u>62,550</u>
<b>Operating expenses:</b>	
Administration	3,582
Amortization	938
Contractual services	16,235
Depreciation	24,115
Materials and supplies	7,353
Salaries and wages	23,804
Utilities	<u>14,591</u>
Total operating expenses	<u>90,618</u>
Operating income (loss)	<u>(28,068)</u>
<b>Non-operating revenues (expenses)</b>	
Administration trust fee	12,515
Hookup fees	3,000
Donations	1,000
Interest income	1,563
Interest expense and fiscal charges	<u>(3,563)</u>
Total non-operating revenues (expenses)	<u>14,515</u>
Change in net assets	(13,553)
Total net assets, beginning of year	462,404
Total net assets, end of year	<u><u>\$ 448,851</u></u>

The accompanying notes are an integral part of the financial statements.



**TOWN OF ORDERVILLE, UTAH**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	Water Fund
<b>Cash flows from operating activities:</b>	
Cash received from customers, service fees	\$ 62,550
Cash paid to suppliers	(32,983)
Cash paid to employees	(23,804)
Net cash flows from operating activities	<u>5,763</u>
<b>Cash flows from noncapital financing activities:</b>	
Hookup fees	<u>3,000</u>
<b>Cash flows from capital and related financing activities:</b>	
Principal paid on long-term debt	(15,000)
Purchase of fixed assets	(18,500)
Administrative Fee	12,514
Interest paid	(3,563)
Net cash flows from capital and related financing activities	<u>(24,549)</u>
<b>Cash flows from investing activities:</b>	
Donation revenue	1,000
Interest on investments	<u>1,563</u>
Net cash flows from investing activities	<u>2,563</u>
Net change in cash and cash equivalents	(13,223)
Cash and cash equivalents, beginning of year	<u>82,981</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 69,758</u></u>
<b>Reconciliation of operating loss to net cash flows from operating activities:</b>	
Net operating loss	\$ (28,068)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation/amortization	25,053
Changes in operating assets and liabilities:	
(Increase)/Decrease in receivables	-
Increase/(Decrease) in accounts payable	8,969
Increase/(Decrease) in due to other funds	(191)
Net cash flows from operating activities	<u><u>\$ 5,763</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 1.        Summary of Significant Accounting Policies**

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**General**

The financial statements of the Town of Orderville, Utah, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

**Reporting entity**

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the Town exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the Town. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

The accompanying financial statements include all activities of the Town.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

---

**Note 1.      Summary of Significant Accounting Policies (Continued)**

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Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the **proprietary fund and fiduciary fund financial statements**. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an "other financing source." Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 1.           Summary of Significant Accounting Policies (Continued)**

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The Town reports the following major proprietary fund:

The Water Fund is used to account for the provision of water services to the residents of the Town.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services.

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Deposits and Investments**

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

**Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 1.      Summary of Significant Accounting Policies (Continued)**

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**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

**Inventories and Prepaid Items**

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Inventories for the business-type fund (Water Fund), consisting of materials used in the extension and repair of the transmission, distribution, collection and treatment systems, are valued at cost and accounted for on a first-in, first-out basis. Inventories have not been included in the financial statements and are not considered material. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	7-40 years
Automobiles and trucks	5-7 years
Machinery and equipment	5-7 years
Infrastructure	7-40 years

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

---

**Note 1.        Summary of Significant Accounting Policies (Continued)**

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**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Estimates**

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

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**Note 2.        Reconciliation of Government-Wide and Fund Financial Statements**

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**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

---

**Note 2.            Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

---

**Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this \$109,135 difference are as follows:

Capital Outlay	\$        120,144
Depreciation Expense	<u>(23,637)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	  <u><u>\$        96,507</u></u>

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**Note 3.            Stewardship, Compliance, and Accountability**

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**Budgets and Budgetary Accounting**

The Town Council observes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures.
- (2) A public hearing is conducted prior to June 22 to obtain taxpayer comments.
- (3) Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level.
- (4) Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 3.        Stewardship, Compliance, and Accountability (Continued)**

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The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

During the current fiscal year there were no amendments to the budget.

**Taxes**

Property taxes are collected by the Kane County Treasurer and remitted to the Town in three installments: July, December, and March. Taxes are levied and are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

Sales taxes are collected by the Utah State Tax Commission and remitted to the Town monthly.

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**Note 4.        Deposits and Investments**

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The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2005, \$157,836 of the Town's bank balance of \$357,836 was exposed to custodial credit risk because it was uninsured and uncollateralized.



**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 4.        Deposits and Investments (Continued)**

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**Restricted/Unrestricted classification:**

	General <u>Fund</u>	Enterprise <u>Fund</u>
Unrestricted funds	\$ 216,582	\$ 69,759
Restricted funds		
"C" Roads funds	61,658	-
Trust and agency funds	<u>4,313</u>	<u>-</u>
Total cash	<u><u>\$ 282,553</u></u>	<u><u>\$ 69,759</u></u>

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

**Governmental Activities:**

	<b>Balance 6/30/2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2005</b>
Capital assets, not being depreciated:				
Land	\$ 43,990	\$ 15,000	\$ -	\$ 58,990
Total capital assets, not being depreciated	<u>43,990</u>	<u>15,000</u>	<u>-</u>	<u>58,990</u>
Capital assets, being depreciated:				
Buildings	238,040	24,830	-	262,870
Improvements	56,877	53,846	-	110,723
Machinery & equipment	74,349	26,468	1,275	99,542
Total capital assets, being depreciated	<u>369,266</u>	<u>105,144</u>	<u>1,275</u>	<u>473,135</u>
Less accumulated depreciation for:				
Buildings	(65,227)	(8,533)	-	(73,760)
Improvements	(25,627)	(2,644)	-	(28,271)
Machinery & equipment	(26,349)	(12,460)	(1,275)	(37,534)
Total accumulated depreciation	<u>(117,203)</u>	<u>(23,637)</u>	<u>(1,275)</u>	<u>(139,565)</u>
Total capital assets, being depreciated, net	<u>252,063</u>	<u>81,507</u>	<u>-</u>	<u>333,570</u>
Governmental activities capital assets, net	<u>\$ 296,053</u>	<u>\$ 96,507</u>	<u>\$ -</u>	<u>\$ 392,560</u>

Depreciation expense was charged to the functions/programs of the City as follows:

**Governmental Activities:**

General government	\$ 8,944
Public safety	6,240
Public works	3,248
Parks and recreation	5,205
Total depreciation expense - governmental activities	<u>\$ 23,637</u>

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

**Note 5. Capital Assets (Continued)**

**Business Type Activities:**

	<u>Balance 6/30/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2005</u>
Capital assets being depreciated:				
Machinery and equipment	13,022	18,500	-	31,522
Distribution system	865,468	-	-	865,468
 Total capital assets, being depreciated	 <u>878,490</u>	 <u>18,500</u>	 <u>-</u>	 <u>896,990</u>
Less accumulated depreciation for:				
Machinery and equipment	(9,899)	(2,876)	-	(12,775)
Distribution system	(396,206)	(21,239)	-	(417,445)
 Total accumulated depreciation	 <u>(406,105)</u>	 <u>(24,115)</u>	 <u>-</u>	 <u>(430,220)</u>
 Total capital assets, being depreciated, net	 <u>472,385</u>	 <u>(5,615)</u>	 <u>-</u>	 <u>466,770</u>
 Business-type activities capital assets, net	 <u>\$ 472,385</u>	 <u>\$ (5,615)</u>	 <u>\$ -</u>	 <u>\$ 466,770</u>

**Note 6. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2005:

	<u>Balance 6/30/2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2005</u>	<u>Current Portion</u>
<b>Business-type activities:</b>					
Revenue bonds	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 35,000</u>	<u>\$ 17,000</u>

Bonds payable at June 30, 2005 is comprised of the following issues:

**Revenue Bonds:**

**Water Fund:**

6.8% taxable revenue water refunding bonds, Series 1998,  
payable in semi-annual interest and annual principal installments  
through 2007.

\$ 35,000

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 6. Long-Term Debt (Continued)**

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Annual requirements to amortize long-term debt are as follows:

Fiscal Year Ended June 30	Water Revenue Bonds	
	Principal	Interest
2006	\$ 17,000	\$ 2,380
2007	18,000	1,224
Total	<u>\$ 35,000</u>	<u>\$ 3,604</u>

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**Note 7. Equity Classifications**

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Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

At June 30, 2005, the Town’s reserved and designated fund balances are as follows:

<b>General Fund:</b>	
Class “C” Roads	65,814
Trust Funds	4,313

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

**Note 8. Defined Benefit Pension Plan**

All full-time employees of the Town participate in the Utah State-Wide Local Government Retirement Systems (Systems).

**Plan Description**

The Town contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake Town, UT 84102 or by calling 1-800-365-8772.

**Funding Policy**

In the Local Governmental Noncontributory Retirement System, the Town is required to contribute 9.62% of their annual covered salary. In the Public Safety Noncontributory Retirement System, the Town is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The required contributions and amounts received for the 2004/2005 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
<b>Noncontributory System:</b>				
<b>Local Governmental Division</b>				
2005	N/A	N/A	\$ 5,359	\$ 48,321
2004	N/A	N/A	\$ 4,505	\$ 46,830
2003	N/A	N/A	\$ 3,958	\$ 45,550

**TOWN OF ORDERVILLE, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 9.        Risk Management**

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The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in the operating funds, with unallocated or Town-wide activities being accounted for in the general fund.

The Town maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust and worker's compensation through the Worker's Compensation Fund of Utah.

**FEDERAL AND STATE REPORTS**



**KEMPBURDICK**

KEMP BURDICK HINTON & HALL L.L.C.

**CPA'S & ADVISORS**

**Independent Auditor's Report on Compliance with  
Laws and Regulations and on  
Internal Control over Financial Reporting  
Based on an Audit of Basic  
Financial Statements Performed in Accordance  
with *Government Auditing Standards***

**MEMBERS:**  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

To the Honorable Mayor and  
Members of the Town Council  
Orderville, Utah 84767

We have audited the basic financial statements of the Town of Orderville, Utah, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Town in a separate letter dated November 30, 2005.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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OFFICE (435) 628-3663  
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32  
337 SOUTH MAIN, SUITE 230  
CEDAR PROFESSIONAL PLAZA  
CEDAR CITY, UTAH 84720  
OFFICE (435) 865-7666  
FAX (435) 867-6111

P.O. Box 3575  
590 WEST MESQUITE BLVD., SUITE 201  
MESQUITE, NV 89024  
OFFICE (702) 346-3462  
FAX (702) 346-3464



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Town of Orderville in the accompanying management letter dated November 30, 2005.

This report is intended for the information of the mayor, audit committee, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.  
November 30, 2005



**KEMPBURDICK**

**KEMP BURDICK HINTON & HALL L.L.C.**

**CPA'S & ADVISORS**

## **Independent Auditor's Report on State Legal Compliance**

To the Honorable Mayor and  
Members of the Town Council  
Orderville, UT 84767

**MEMBERS:**

**KRIS J. BRAUNBERGER**  
**DEAN R. BURDICK**  
**BRENT R. HALL**  
**KENNETH A. HINTON**  
**GREGORY A. KEMP**  
**MORRIS J. PEACOCK**  
**MICHAEL K. SPILKER**  
**MARK E. TICHENOR**

We have audited the basic financial statements of the Town of Orderville, Utah, for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Liquor Law Enforcement  
Justice Courts  
Other General Compliance Issues  
Department of Commerce  
B & C Road Funds  
Impact Fees & Other Development Fees  
Asset Forfeitures

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

P.O. Box 38  
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Town of Orderville, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Kemp, Burdick, Hinton & Hall, L.C.*  
KEMP, BURDICK, HINTON & HALL, L.C.  
November 30, 2005



**KEMPBURDICK**

KEMP BURDICK HINTON & HALL L.L.C.

**CPA'S & ADVISORS**

## Findings and Recommendations

To the Honorable Mayor and  
Members of the Town Council  
Orderville, UT 84767

Ladies & Gentlemen:

During our audit of the funds of the Town of Orderville for the fiscal year ended June 30, 2005, we noted several improvements in the Town's accounting and budgeting system and wish to commend you for your achievements. We noted a few areas needing corrective action in order for the Town to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

### State Compliance Findings and Recommendations:

#### 1. Timeliness of Deposits

##### Finding

Utah Code Annotated, 1953, as amended, section 51-4-2, requires all cash receipts to be deposited within three business days of receipt. However, during our testing, we noted some justice court receipts were not deposited within three days of receipt.

##### Recommendation

We recommend that the Town deposit all cash receipts within the three business days specified by Utah law.

### General Findings and Recommendations:

#### 1. Justice Court Trust Monies

##### Finding

During our testwork we noted that the Town does not maintain a separate account for Justice Court Trust monies, nor does the Town maintain a subsidiary ledger to track those monies.

##### Recommendation

We recommend that the Town establish a subsidiary ledger and a bank account for the tracking of all Justice Court Trust monies.

#### MEMBERS:

KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

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It has been a pleasure to be of service to the Town during this past year. We would like to express special thanks to Carol Lamb, who always assists us so efficiently and effectively during the audit. We invite you to ask questions of us throughout the year as you feel it necessary. We look forward to a continued pleasant professional relationship.

Sincerely,

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.

November 30, 2005